

## Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 FEA-02 AEC-11 AID-20 CEA-02 CIAE-00

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E.O. 11652: N/A

TAGS: EFIN, CA

SUBJ: FINMIN TURNER VIEWS ON RECYCLING OIL REVENUES

1. CANADIAN NEWSPAPERS OF SEPT 26 CARRIED ARTICLES ON NEWS CONFERENCE GIVEN BY FINMIN TURNER DURING FIRST DAY (SEPT 25) OF COMMONWEALTH FINANCE MINISTERS' MEETING AT WHICH TURNER REPORTEDLY TOLD PRESS THAT HE FAVORS A PLAN TO SUBSIDIZE LDC OIL NEEDS THROUGH IMF RECYCLING OF OIL REVENUES. MONTREAL GAZETTE SAID TURNER IS URGING FINMINS "TO FORM UNITED FRONT" AT UPCOMING IMF MEETING IN SUPPORT OF HIS PROPOSAL.

2. ACCORDING TO NEWS ACCOUNTS, TURNER FAVORS IMF REGULATION OF RECYCLING OF OIL-PRODUCER NATIONS' NEW WEALTH BY A TWO-TIER LENDING SYSTE. UNDER TURNER PROPOSAL, LDC OIL-IMPORTER COUNTRIES WOULD BE LOANED RECYLED MONEY AT SUBSIDIZED INTEREST PAYMENTS BUT NORMAL RATES OF INTEREST WOULD APPLY TO DEVELOPED COUNTRIES.

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3. MONTREAL GAZETTE QUOTES TURNER AS SAYING HE FAVORED REGULATED RECYCLING AS OPPOSED TO FREE-MARKET APPROACH BECAUSE "IF THE FREE MARKET IS APPLIED, THE MONEY WILL END UP IN THE HANDS OF THE STRONGEST ECONOMIES, THAT IS, THE U.S."

4. COMMENT: AT LUNCHEON MEETING ON SEPTEMBER 24, J. N. R. WILSON, NEWLY PROMOTED ADVISOR TO GOVERNOR, BANK OF CANADA, TOLD EMBOFF THAT HE RECENTLY TALKED TO BANKERS IN NEW YORK AND TORONTO REGARDING RECYCLING OF ARAB OIL MONIES. WILSON CONTENDED THAT THESE BANKERS WERE WORRIED ABOUT RECYCLING PROCESS AND THEY HAD "JUST ABOUT REACHED THEIR LIMITS" IN ABILITY TO DO SUCH RECYCLING. HE MAINTAINED THAT THERE WAS SPECULATION IN BANKING CIRCLES THAT GOVERNMENTS, PARTICULARLY USG, WOULD BE REQUIRED TO STEP IN WITH "GIGANTIC MARSHALL PLAN" EFFORT TO CHANNEL THESE FUNDS TO LDC'S.

5. EMBOFF ASKED WILSON WHO WOULD PAY COSTS OF THIS PLAN, AND HE SAID IT WOULD BE INDUSTRIALIZED COUNTRIES, AGAIN U.S. IN THE LEAD. WILSON STATED THAT GOVERNMENT INTERVENTION IN RECYCLING PROCESS WAS BECOMING A NECESSITY, AND BEST USE OF FUNDS WOULD BE IN LDC'S.

6. FONMIN TURNER WILL APPARENTLY RAISE RECYCLING PROBLEM AT UPCOMING IMF/IBRD MEETING AND PROPOSE IMF REGULATION OF RECYCLING PROCESS. PORTER

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